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THE DEMAND AND PRICE SITUATION

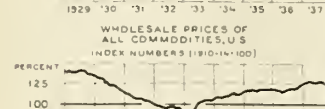
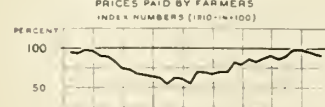
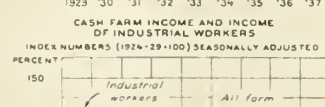
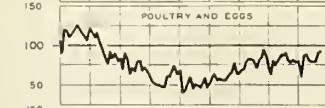
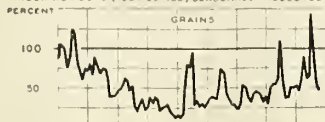
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

DECEMBER 1937

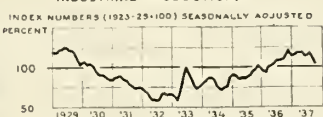
INCOME AND RELATED STATISTICS

CASH INCOME FROM SALES OF FARM PRODUCTS
INDEX NUMBERS (1924-29=100) SEASONALLY ADJUSTED

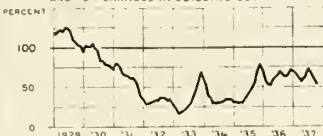


MEASURES RELATING TO DEMAND FOR FARM PRODUCTS

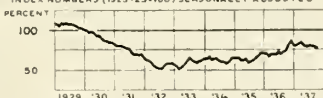
INDUSTRIAL PRODUCTION, U.S.



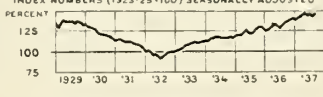
BUILDING CONTRACTS AWARDED, U.S.
INDEX NUMBERS (1923-25=100) ADJUSTED SEASONALLY AND FOR CHANGES IN BUILDING COSTS



FREIGHT CAR LOADINGS, U.S.
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



FOREIGN INDUSTRIAL PRODUCTION
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



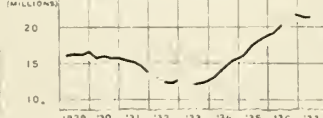
FACTORY EMPLOYMENT, U.S.
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



INDUSTRIAL STOCKS AVERAGE PRICE BASED ON 30 STOCKS, U.S.

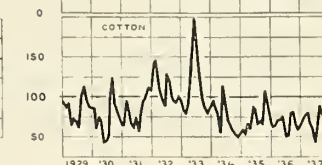
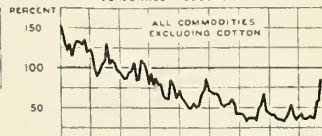


DEMAND DEPOSITS OF ALL MEMBER BANKS, U.S. (ADJUSTED)

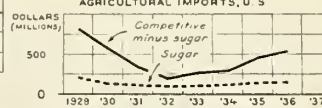


FOREIGN TRADE AND RELATED STATISTICS

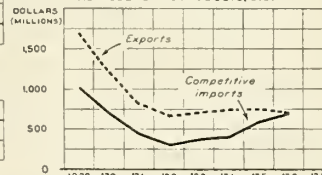
VOLUME OF AGRICULTURAL EXPORTS, U.S.
INDEX NUMBERS (JULY 1929-JUNE 1934=100) SEASONALLY ADJUSTED



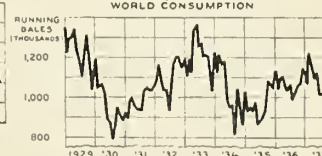
VALUE OF COMPETITIVE AGRICULTURAL IMPORTS, U.S.



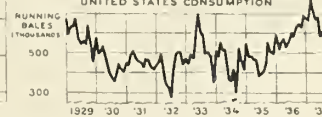
VALUE OF FOREIGN TRADE IN AGRICULTURAL PRODUCTS, U.S.



COTTON, AMERICAN: WORLD CONSUMPTION



COTTON, ALL KINDS: UNITED STATES CONSUMPTION



DOMESTIC DEMAND

Prices of non-perishable farm products traded in on the futures exchanges respond quickly to changes in business conditions which precede changes in consumer demand. Prices of perishable farm products which are consumed soon after marketing may not react noticeably to changes in industrial activity until the latter have been reflected in consumer buying power.

This general tendency has been noted in connection with the business recession which began in late summer. Prices of wheat, cotton and other raw materials were early affected by the declining prospects for business; whereas prices of meats, poultry and dairy products, and fruits and vegetables, although fluctuating with changes in supplies, did not reflect the change in business conditions until later.

The Federal Reserve index of industrial production dropped from 117 in August to 103 in October, and the preliminary estimate for November is 95. Weekly index numbers have continued to decline during the first part of December, although at a lessened rate. Thus, in about 3 months the percentage decline in industrial activity, as measured by the Federal Reserve index, has been about the same as in the 1923-24 decline which required a full year.

The drop in industrial production from August to October, the last month for which complete business data are available, was not accompanied by corresponding declines in measures of business activity more directly reflecting consumer purchasing power and demand. Factory employment decreased only 2 percent, incomes of industrial workers only about 5 percent, and non-agricultural income about 2 percent. Retail food prices remained practically unchanged, and general retail trade experienced little shrinkage. By December, however, significant declines undoubtedly have taken place in these indexes related to consumer demand.

Some indication of the industries involved in the decline of industrial production is given by an examination of changes in the component parts of the Federal Reserve index of industrial production from August through October. This comparison takes into account both the changes in and relative importance of the several lines of production. Approximately 58 percent of the decline was due to the falling off in steel production, 30 percent to textiles, 5 percent to automobiles, and 7 percent to all other products included in the index. It is evident, therefore, that a major part of the recession through October, as measured by the Federal Reserve index, represented a slowing up of the textile and steel industries. Since October, the recession has become somewhat more general, with automobiles and other products probably contributing a larger percentage to the total decline.

It is very significant that the industries which have contributed most to the decline are those which have been most prominently involved in the inventory situation to which frequent reference has been made in this publication during the past 6 months. It is altogether probable that we would have had a temporary recession in these industries this fall regardless of the more fundamental long-time considerations in the business situation. Last winter and spring business men were placing orders for quantities of goods well in excess of their current needs,

expecting higher prices and difficulty in obtaining early deliveries. Thus, a large back-log of unfilled orders was built up by many industrial concerns, and production was stepped up to a level higher than justified by the movement of goods into final consumption. By late summer the stimuli to advance buying had disappeared, factories began to run out of unfilled orders, and the recession - which had been indicated for several months by these developments - started. The large inventories built up during the first half of the year made it possible for many concerns which ordinarily would have entered the market this fall to refrain from buying, awaiting clarification of the situation.

These conditions which evidently have been largely responsible for the recession in industrial production to date, have relatively little relation to the conditions which probably will determine the course of business during the next few years, as discussed in the annual outlook report on demand issued by this Bureau in November. If these other conditions were definitely favorable, marked improvement in business could be confidently expected at an early date, as prospective buyers of industrial products use up existing inventories and are forced back into the market to replenish depleted stocks. Under prevailing conditions, however, it is not likely that improvement in industrial production, which may occur in the near future, will be very marked or well sustained during the first half of 1938.

FOREIGN DEMAND

The outlook is for a continuation of relatively large exports of farm products from the United States during the next few months. On the other hand, the outlook for foreign demand as it affects the prices of United States farm products entering into international trade, is less promising.

Unusually large domestic crops of many farm products have contributed to an increase in exports of farm products in recent months. The percentage increase also is affected by the unusually small exports of immediately preceding years, due to successive short crops. The seasonally adjusted index of the volume of agricultural exports rose in October to 82 percent of pre-war compared with 74 in September and also in October 1936. The October 1937 level is the highest in nearly 2 years, and reflects a sharp increase from the July low point of 37 percent of pre-war. With the large volume of agricultural products at prevailing low prices, and shortages in some foreign countries, the situation is favorable for a continuation of relatively large exports. For similar reasons, imports of some agricultural products have declined.

In general, the level of exports of all types of goods from the United States has been well maintained in recent months, while imports have tended to decline. This is partly a result of the afore-mentioned changes in agricultural exports and imports. In addition, however, the change in our export-import situation has been affected by changing price relationships and world industrial conditions. Our imports consist largely

of raw materials, relatively high prices for which in 1935 and 1936 contributed much to the excess of imports over exports in terms of dollar value. Since last May the situation has been reversed, with prices of raw materials declining relative to prices of manufactured goods, which has been reflected in the relative value of exports and of imports. Also, business activity in the United States has diminished in recent months relative to that in foreign countries, which has tended to discourage imports relative to exports.

The export situation, however, gives only a partial indication of changes in foreign demand conditions which affect the prices of farm products in this country. Changes in foreign demand for our products may result from changes in import restrictions and in foreign supplies, and also from changes in general business activity and consumer purchasing power in foreign countries. These changes in foreign demand may be reflected in the prices of American farm products even though there are no corresponding changes in exports from or imports into this country. Farmers, therefore, are directly interested in changes in foreign industrial activity.

Although business activity has declined sharply in the United States, no recession of comparable magnitude has yet occurred in foreign countries. Because of the facility with which changes in industrial conditions in one country may be transmitted to others, however, the foreign situation bears close observation at the present time.

There have been some evidences of business hesitancy in foreign countries, and at least a modification of the sharp recovery witnessed in recent years. In England, the trend of activity in the consumers' goods industries has been uneven, with a noticeable slackening in the textile and associated lines of business following the accumulation of inventories and reduction of new orders. The building boom in that country gives evidence of slowing down, and some parts of the British foreign trade have been materially affected by military operations in other countries. In England, however, as in some other countries, armament production continues to furnish strong support to industrial activity.

Recent reports of industrial activity in the Netherlands, Austria, and Belgium, likewise carry some unfavorable implications. The large textile industry of Belgium has been checked by a decline in new orders. In the Far East, business and foreign trade have been disorganized by the Sino-Japanese conflict. Industrial production in Germany and the Scandinavian countries, however, has continued at a high level, with unemployment negligible. The downward trend of business activity in France was halted at least temporarily in September. Production in France apparently is being maintained largely in industries employing a minimum of hand labor; whereas in industries in which labor is an important factor, activity has declined, possibly reflecting the influence of recently increased and relatively high wage scales.

WHOLESALE PRICES

The general level of wholesale prices, at 82 percent of the 1926 level in early December, was unchanged from the preceding week after a persistent decline since late September.

The decline of over 6 percent in the 9-week period since September represents in large part the continued weakness in prices of farm products (16 percent), with the drop particularly sharp in prices of livestock and grains. Prices of all groups of farm products, however, increased in early December. Prices of foods, hides, and leather products have also declined considerably. Prices of nonagricultural commodities have continued the decline since late September, but the total drop since that time has amounted to little more than 4 percent.

Prices of raw materials declined steadily since early in the year, until recently when they exhibited a tendency to level off. Some improvement during the next few months is possible. From May 1936 to April 1937 raw materials prices rose over 20 percent, followed by complete cancellation of that rise. The trend of prices of semi-manufactured articles has been very similar to that of raw materials. Finished products, however, were slower to rise, gaining only 11 percent in the 17 months ended September 1937. Since late September prices of finished products have declined a little (4 percent).

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended November 27 was 81 percent of the pre-war level, the lowest ratio in over 3 years. The ratio for the week ended December 4, however, rose to 82 percent.

Reflecting the recent decline in world prices of many important raw materials, wholesale prices in most foreign countries have also declined in recent weeks. Like the trend of prices in the United States, prices in Canada and Belgium have been generally downward since July. The following month similar steady declines in the general price level became apparent in Germany and the Netherlands; prices in France have been declining since October. Among the major foreign countries, Italy alone has a continuously upward price movement throughout 1937.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers for farm products in mid-November was 107 percent of pre-war, compared with 112 in October and 120 in November 1936. The drop of 5 points from October to November is the largest November decline since 1920. The level of prices paid by farmers for commodities on November 15 is estimated at 128 percent of pre-war, the same as a month earlier, compared with 127 in November 1936. The ratio of prices received to prices paid by farmers declined to 84 in November compared with 88 in October and 94 a year earlier. The November ratio is the lowest since July 1935.

Based on preliminary indications for December and the price outlook for the several commodities in January, it seems probable that the general level of prices received by farmers during those months will be little changed from November.

FARM INCOME

Cash income from sales of farm products made a more than seasonal decline from October to November as prices received by farmers dropped sharply for this time of the year, and marketings of livestock were considerably below last year's volume. Farm income in November was probably somewhat less than in November last year.

Cash farm income this December may also be somewhat less than in December 1936, since prices of farm products will be substantially lower and the volume of livestock marketings will be smaller. Although the volume of crop marketings will probably be larger this December, the greater volume is likely to be offset by lower prices. In view of the tapering off of the gains in farm income over last year in recent months, the increase in cash income from sales of farm products for the calendar year 1937 over 1936 will be less than the 10 percent recorded during the first 10 months.

No material improvement in the general level of farm prices is anticipated for the early months of 1938. The index of prices received by farmers stood at 107 in November, while in January of this year the index was at 131 and declined to 128 in March. Marketings of important crops will be larger during the first part of 1938 than in the same months this year. Marketings of meat animals, though less than in the early part of 1937, will be larger than in recent months. Marketings of poultry products may be smaller than a year earlier, but marketings of dairy products may be slightly larger. Cash farm income from sales during the first part of 1938 may, therefore, be approximately the same as in the corresponding period of this year.

WHEAT

Domestic wheat prices have been unsettled since November 8, when the lowest prices since about May 1936 were reached. Prices during the second week in November rose as a result of frost damage in Argentina and renewed buying by importing countries. During the last half of November domestic prices declined with Liverpool largely as a result of slow demand and liberal offerings of new Australian wheat in European markets. In early December, however, when both domestic and foreign markets were strengthened by confirmation of extensive damage to the Argentine crop, domestic markets rose more than Liverpool largely as a result of increased demand for American wheats, falling off of domestic market receipts and steady inquiry from the domestic trade.

The 1937-38 estimated world wheat production, excluding Soviet Russia and China, is now indicated to be about 3,780 million bushels. This represents a reduction of about 30 million bushels from the estimate of a month ago, of which reduction about 20 million bushels is in the Argentine estimate. The crop in that country has suffered severe frost and drought damage, and while the full extent of this damage cannot be reckoned at this time, the production is tentatively estimated by this Bureau at about 180 million bushels or about 70 million bushels less than last year's harvest. Argentine wheat is a hard bread wheat similar to our hard winter export type, needed by European countries for mixing with soft wheats in milling, and a reduction in the crop may result in an increased demand for United States wheat.

Unless demand is materially less than now indicated, small world wheat supplies may tend to offset the seasonal price influence of increased Southern Hemisphere marketings which usually become an important price factor in January. The world crop indicated at present, added to the carry-over at the beginning of the year indicates total supplies in 1937-38, excluding Russia and China, to be only about 25 million bushels larger than the very small supplies in 1936-37. Russian exports, July 1 to December 4, have amounted to 27 million bushels, but these may now be expected to be greatly reduced because of the closing of navigation for the winter. Last year total exports were only 4 million bushels, but in 1935-36 and 1933-34, when large crops were also harvested, exports amounted to 29 and 34 million bushels, respectively.

COTTON

Spot prices at the 10 markets averaged 7.84 cents in November compared with 8.14 in October and 12.06 cents in November 1936. Prices during the first part of December strengthened slightly, despite an increase of nearly one-half million bales in the indicated 1937 domestic production. Important among factors which have caused prices to remain low during recent months have been the generally favorable weather conditions for the maturing and harvesting of the largest United States crop in history, which with another record high crop in foreign countries gives an indicated world production and supply of all kinds of cotton for 1937-38 which is by far the largest on record. Other important price depressing factors have been the downward tendency in world mill activity and cotton consumption, especially in the United States, and a continued low level of prices for most internationally traded raw materials.

The indicated production of cotton in the United States on December 1, according to the Crop Reporting Board was 18,746,000 bales of 478 pounds. The prospective world supply of American cotton of 24,635,000 bales in terms of running bales and allowing for the city crop, is 5,200,000 more than last season's supply, and only about 1,600,000 bales less than the record high supply of 1932-33.

Growers are pledging their cotton for Government loans in large volume. According to the Commodity Credit Corporation, 3,478,000 bales had been pledged up through December 9. It is reported to be the belief of many members of the

trade that from 5,000,000 to 7,000,000 bales will go into the loan stock. If this should be the case, loan cotton from the new crop plus the approximately 1,650,000 bales from previous crops still held by the Commodity Credit Corporation would result in Government financed stocks at the end of the present season being the largest on record.

World consumption of all kinds of cotton in the first quarter of the present season was slightly larger than in the corresponding 3 months of 1936, according to the New York Cotton Exchange Service. World utilization of American cotton, however, was slightly less than last season because of smaller consumption in the United States. During these months in 1936 world cotton consumption was increasing rapidly, whereas at the present time it is tending to decline.

Domestic consumption of cotton in November and the 4 months ended November amounted to 485,000 and 2,217,500 bales, respectively, or 23 percent and 11 percent less than in the corresponding periods last season.

In China warfare has seriously crippled the cotton textile industry. Japanese mill operations are still at a high level but sharp curtailment in the near future seems likely unless permits are granted to import larger quantities of raw cotton. In England and some other European countries a protracted period during which mill sales of goods have run behind mill output is beginning to cause mill activity to recede somewhat from its recent high levels.

Domestic exports of cotton from the United States in the 4 months ended November 30 totaled 2,434,000 bales, or only slightly more than the comparatively small exports in the corresponding period last year. Shipments to Europe were much larger than last season but those to Japan were only about one-eighth as large.

CORN AND OTHER FEED GRAINS

The cash price of No. 3 Yellow corn at Chicago held steady at about 53 cents per bushel during the last half of November and early December. Cash prices of oats and barley were also relatively stable during this period and it now appears that all these grains are either near or past the seasonal low points with no marked changes in prices in prospect during the next few months. With the influence of crop prospects now out of the way, prices of these grains during the next few months will be influenced largely by the rate of disappearance and the changes in wholesale and livestock prices. In recent weeks, the downward movement of both livestock and wholesale prices has been partly responsible for the weakness in feed grain prices.

The corn loan which became available December 1 is 6 to 8 cents per bushel above the November farm price in a number of the important corn producing states. If this margin continues large enough to induce a substantial amount of corn to go into storage, it will tend to reduce corn marketings this winter and give some support to corn prices.

Corn supplies for 1937-38 (including carry-over and the November 1 estimate of production) are about the same as the 1928-32 average. This supply is considerably larger than in any of the past 4 years, and is much above average in relation to livestock numbers. The October 1 supplies of feed grains, including stocks of oats and corn on that date and the November 1 estimated production of corn, barley, and grain sorghums totaled 99 million tons compared with 65 million tons last year and 101 million tons for the 1928-32 average. Assuming that the number of grain consuming animal units is about the same as on January 1, 1937, there would be a supply of .96 ton per grain consuming animal unit -- the largest supply on this date since 1920.

With a small exportable surplus of corn remaining in Argentina, and with production in many European countries at a low level, present indications are that United States exports will be the largest since 1928-29. The December future at Chicago early this month was about 14 cents below the December future at Buenos Aires and in late November was 22 cents below the December future at Liverpool. Exports of corn increased sharply in the last half of November and early December and for the week ended December 4 were 1,108,000 bushels, bringing the season's total since October 1 to over 2,200,000 bushels.

FLAXSEED

The weekly average cash price of No. 1 flaxseed at Minneapolis declined about 15 cents a bushel from early October to late November, and then made up part of this loss by the week ended December 4. Argentine flaxseed prices also declined during November, and the margin between Minneapolis and Buenos Aires prices was 85 cents for the week ended December 4 -- about the same as 2 months earlier. With present world stocks unusually small, the price of flaxseed during the next few months will be influenced primarily by the course of business activity. The sharp declines in both industrial production and building activity during the past 3 months has made the outlook somewhat unfavorable, and it now appears that an improvement in residential and public building activity is necessary to any material increase in flaxseed prices.

The combined production of flaxseed in Canada and the United States was only about one-third of the 1926-30 average, and the Argentine crop was considerably below that average. As a result of the very small domestic crop, imports during the first 4 months of the present marketing year have totaled more than 7 million bushels, which, with the exception of 1933, were the largest for this 4-month period in more than 15 years. Total United States stocks on October 1 were somewhat larger than the very small stocks on that date last year, but were less than one-half the 1926-30 average. If domestic requirements are as large as they were last year, heavy importations will be necessary during the remainder of the domestic crop marketing year.

The value of building contracts awarded reached the highest level in recent years in July 1937, when the monthly index was 68 percent of the 1923-25 average. Since July this index has declined, and the preliminary figure for October is reported at 50 percent of the 1923-25 level. Another unfavorable

factor in the flaxseed situation has been the decline in linseed meal prices. With a larger production of cottonseed and some other high protein feeds this year, linseed meal prices have declined materially since the beginning of the year.

HOGS

With storage stocks of hog products now relatively small, it seems probable that the expected seasonal reduction in hog marketings in early 1938 will be accompanied by some advance in hog prices, unless there develops a greater weakness in the consumer demand for meats than is now expected. This probable advance in prices is not likely to extend beyond the late spring, since slaughter supplies in the last half of the 1937-38 marketing year are expected to be considerably larger than in the last half of 1936-37.

Hog prices recovered slightly in early December after reaching in late November the lowest level since early 1935. From mid-August to late November, the weekly average price of butcher hogs at Chicago declined from about \$13 to \$8. This decline was one of the most severe on record for periods of similar length. The chief reasons for the marked decline were: (1) the larger-than-usual seasonal increase in hog marketings; (2) weakness in consumer demand for hog products; and (3) weakness in storage demand for pork and lard apparently occasioned by the prospects for a larger slaughter supply of hogs and weaker consumer demand for hog products in 1938 than in 1937.

In both July and August inspected hog slaughter was the smallest for those months in at least 40 years. After reaching a very low level in mid-August, slaughter supplies of hogs increased greatly in the 3 following months, although they continued smaller than those of a year earlier. In November, inspected slaughter of hogs, totaling 3,295,000 head, was more than double that of August, whereas over a period of years, the average increase in hog slaughter from August through November is about 45 percent. The large increase in hog slaughter in recent months reflects not only increased marketings of spring pigs but also the fairly large movement of pigs from the 1936 fall pig crop which were held for finishing on new crops of feed grains. Inspected hog slaughter in both October and November, however, was more than 20 percent smaller than a year earlier.

BEEF CATTLE

Prices of the better grades of slaughter cattle are expected to decline more than seasonally in the first half of 1938 as a result of increased marketings of such cattle compared with those of a year earlier and some further weakening in consumer demand for meats. Although slaughter of both cattle and calves in 1938 is expected to be smaller than in 1937, the number of well-finished cattle marketed will be much larger than in the present year. Recent reports indicate that the number of cattle to be fed in the current feeding season will be much larger than last, with a large part of the increase occurring in the Eastern Corn Belt States.

With reduced numbers and a smaller proportion of cows and of the lower grades of steers in the slaughter supply, prices of such cattle may advance by about the usual seasonal amount during the first half of 1938. The effect of changes in supplies on cattle prices, however, may be more than offset by changes in general business situation. If the recent sharp declines in industrial activity are reflected in corresponding declines in consumer incomes in the next few months, prices of all grades of cattle are likely to decline in the first half of 1938.

After reaching, in October, the highest level in the 16 years of record, prices of choice and prime grade steers at Chicago declined sharply in November. Prices of good grade steers and heifers also declined sharply in November. These price declines occurred partly as a readjustment of the unusually wide spread between prices of the better grades and lower grades of slaughter cattle that prevailed during the late summer and early fall months, and partly as a result of some weakening in consumer demand for meats. Prices of the lower grades of slaughter cattle and of feeder cattle declined about seasonally from mid-summer through November. Inspected slaughter of both cattle and calves decreased 11 percent from October to November, or by about the usual seasonal amounts.

LAMBS

The average price of lambs in the present fed-lamb marketing season (December-April) probably will be lower than in 1936-37, since the demand for meats and wool in this period is expected to be somewhat weaker than a year ago. Prices of lambs in early December were slightly higher than those of a year earlier, but the seasonal advance in lamb prices which usually occurs from January to April is expected to be smaller in 1938 than it was in 1937.

Little change is expected in total slaughter of sheep and lambs in the 1937-38 fed-lamb season compared with those of a year earlier. Although marketings of fed lambs probably will be larger than those of 1936-37, this increase may be about offset by smaller marketings of other lambs and sheep. Present indications are that the number of lambs fed this season will be larger than last in the Corn Belt States, Texas, and Colorado, but that there will be some reduction in the number fed in other Rocky Mountain States and a considerable reduction in States west of the Continental Divide.

Lamb prices usually show little change from October to November, but prices this year, after advancing in the first week of November, declined sharply during the remainder of the month. This decline probably resulted in part from the decrease in consumer demand for meats that has occurred recently, and from the decline in prices of wool. The average price of good and choice slaughter lambs at Chicago was \$9.46 per 100 pounds in November, about 60 cents lower than a month earlier but about 55 cents higher than a year earlier. Prices of feeder lambs also declined in November. Slaughter of sheep and lambs decreased about seasonally from October to November.

WOOL

Average quotations for combing territory wools at Boston late in November were fully 30 percent below the high point of the first quarter of this year and were about 25 percent lower than a year earlier. The recent decline in domestic price quotations apparently was an adjustment to the lower level of wool prices in foreign markets. Even at the lower domestic price quotations, however, very little wool has been purchased by mills in recent weeks.

The fairly large stocks of raw wool held by manufacturers and the large stocks of finished and semi-finished goods together with the decrease in mill activity probably account for the lack of trading in the domestic market. As stocks of finished and semi-finished goods are reduced in the next few months some increase in purchases of wool probably will occur. This increase in purchases might occur at the present level of prices.

Supplies of apparel wool in the United States at the beginning of the new marketing season on April 1, 1938, are likely to be about average and larger than a year earlier. Supplies on November 1 were smaller than on that date in any of the 5 years, 1930 to 1934, but were larger than in 1935 and 1936. At the beginning of November apparent supplies for disposal in the five principal Southern Hemisphere exporting countries for the remainder of the 1937-38 selling season were slightly larger than a year earlier but were about equal to the average for that date in the 5 years, 1931-35.

Mill consumption of apparel wool on a scoured basis in the United States in October was 36 percent smaller than in October 1936 and was the smallest monthly consumption since October 1934. Because of the large mill consumption in the early months of 1937, consumption in the first 10 months of this year was about the same as in corresponding months of 1936. It is probable that mill consumption has continued small since October, and consumption in the first quarter of 1938 probably will be smaller than a year earlier.

BUTTER

Butter prices have risen to the highest levels of the year. The price of 92 score butter at New York in November averaged 4.5 cents higher than a year earlier and the highest for the month since 1929. It seems probable that prices during the early part of December have about reached the seasonal peak. The seasonal decline in prices is likely to be more than average, because of the prospective lower consumer incomes and prospects for increased butter production.

In the past month the price of New Zealand butter in London declined about 8 cents per pound. The margin between the prices of 92 score butter in New York and New Zealand butter in London widened from 3.1 cents in early November to 14.5 cents in early December.

The farm price of butterfat in November, 36.2 cents per pound, was high compared with feeds. The relatively large production of feeds and this price relationship will tend to stimulate butter production. Creamery butter production in October was 14 percent less than a year earlier and the smallest for the month since 1928. The decline in production since August, however, has been less than

the usual seasonal decline, and the index of butter production which is adjusted for seasonal variation (1925-29 = 100) rose from 101 in August to 112 in October.

Trade output of creamery butter in October was only 2 percent less than a year earlier, in contrast with the 14-percent decline in production. The net out-of-storage movement in October was decidedly larger than in the corresponding month of 1936. Retail prices of butter in October were higher than a year earlier. These changes indicate that consumer expenditures for butter was about 4 percent greater than in October 1936.

POULTRY AND EGGS

Important developments in the recent poultry and egg situation were (1) the break in the non-seasonal rise in farm chicken prices; (2) the continued less-than-average seasonal advance in farm egg prices; (3) the continued high rate of egg production per bird, and (4) the continued slow out-of-storage movement of eggs.

Farm chicken prices usually do not rise after May or June, but in 1937 the price continued to rise until it reached the high point in October. This advance may prove to be partly at the expense of the 1938 seasonal advance, which normally occurs from January to May. The decline this month, therefore, tends to restore chicken prices to a more nearly normal relation with their usual seasonal course.

Farm egg prices have failed to rise by their full seasonal amount largely because of heavy storage stocks, the movement of which has been slow this year, and because of an exceptionally high rate of production per hen. Both of these factors are expected to be altered by early 1938, so that prices then are likely to be above those of 1937. With the small size of flock in prospect, an average rate of production per bird would very greatly reduce total supplies of eggs.

POTATOES

Potato prices in terminal markets showed very little change during the past month. Both country markets and terminal markets were very dull and draggy in early December, and prices recently have been 70 cents to \$1 per 100 pounds below those of the same time last year.

Idaho Russet Burbanks declined a few cents per 100-pound sack in New York, averaging around \$1.82 in early December, while other varieties in that market held nearly steady at \$1.18. In the Chicago carlot market, Idaho Russets and Colorado McClures both were about 2 cents per sack lower than in early November, averaging respectively \$1.40 and \$1.45 during the first week of December, with Round Whites mostly steady at \$1.10. F.o.b. prices declined rather sharply in northern Maine, Wisconsin, and southern Idaho.

Maine Green Mountains recently returned shippers only 58 cents per 100-pound sack, and Russet Burbanks were down to 62 cents at Idaho shipping points.

The western New York f.o.b. market on Round Whites was nearly steady at 90 cents; prices at Wisconsin shipping points had declined to 80 cents, and Russet Rurals in Michigan brought 87 cents per 100-pound sack, on an f.o.b. basis.

The lower prices for potatoes this season have caused a slight reduction in plantings of early southern potatoes. The 1933 season has opened with a light movement from Texas and southern California. Potatoes should begin to move by next week from the Everglades points, where the nearly-matured crop was cut to the ground by frost. Old potatoes are coming chiefly from Maine, the North Central area, and Idaho at a total rate of 500 cars daily. Recent output, however, was about one-sixth lighter than that of a year ago, and the principal shipping States have not yet reached last season's carlot record to date. Some Idaho potatoes were being purchased for relief. Shipments of seed potatoes from Maine had totaled only about half as many cars as to December 1 last season.

TRUCK CROPS

Shipments of most vegetables in early December decreased from the weekly volume shipped in November, and prices of carrots, lettuce, onions, spinach, northern cabbage, and western celery and tomatoes tended slightly upward. Most other products showed very little change in price. Cuban and Mexican winter vegetables are more plentiful, with some receipts also from Puerto Rico. Domestic production of such products as cucumbers, peppers, and tomatoes also increased after the recent temporary scarcity.

The season for early vegetable crops in Florida, the Gulf States, and the Southwest was more active. Texas crops are recovering from the low temperatures of late November, but the early December freeze in Florida and other southeastern areas caused considerable damage and delay to truck crops in that territory. Damage in Florida was mainly to tender vegetables, such as snap beans, green peppers, eggplant, and tomatoes.

Carloadings of Florida snap beans will show a decided drop as a result of the recent frost damage and will continue light for several weeks until the winter acreage on the East Coast comes into bearing. The recent cold weather will also limit the movement of eggplant, green peppers, and tomatoes. Cabbage and celery shipments will be light in December. Loadings of escarole and lettuce should continue in fair volume. Strawberry shipments will be further delayed, and the supply of berries will be negligible for another 3 weeks.

The delay in movement of Florida products will afford a better market opportunity for tomatoes and other truck crops from Cuba and the West Coast of Mexico. Recent estimates indicate that Mexico may ship from 3,300 to 4,000 cars of tomatoes to the United States this winter, with better-quality stock arriving after January 1. About 500 carloads of green peas are expected from Mexico, which would be considerably more than last season. Receipts of Cuban tomatoes during December may be somewhat below the quantity received last December. Various other truck crops from Cuba are expected to equal last season's volume.

APPLES

Prices of eastern apples in terminal markets have remained fairly steady during the past month at the levels reached in early November. The general average of all varieties of eastern apples at New York for the first week of December was \$1.13 per bushel, compared with \$1.11 for the week ended November 6, and 87 cents for the week ended October 2. Prices of western apples at Chicago have remained steady during recent weeks, and at New York have shown some improvement. During the week ended December 4, and for each of the 3 preceding weeks, the weighted average of all varieties of western apples at Chicago remained at about \$1.33 per box. At New York the weighted average was \$1.79 for the week ended December 4, compared with \$1.70 for the week ended November 13.

Cold storage holdings of apples on December 1 this year were indicated to be the largest on record, exceeding stocks of a year earlier by one-third, and the 1926-35 average by nearly one-fifth. Most of the increase occurred in the Eastern States, where stocks this year set a new record, and are about 55 percent greater than those of a year ago, and 45 percent above the 1926-35 average. In the Western States stocks on December 1 this year were more than one-tenth larger than those of a year earlier, but were slightly less than the 10-year average. There are no estimates available on the quantity of apples in common storage, but indications point to relatively large holdings this year.

CITRUS FRUITS

The seasonal declines in market prices of oranges thus far this season have been quite similar to those which occurred during the like period of last year, although the seasonal movement appears to be about a week later this year than last. As is usually the case, some improvement in prices occurred before Thanksgiving, but part of this gain has since been lost.

Florida oranges opened the season in late September and early October with prices at New York averaging more than \$4 per box. Since the middle of October, prices have declined rather steadily, and in the first week of December, Florida orange prices at New York averaged \$2.62 per box. California Navels were a little later this year than last, and during the last week of November prices at New York averaged \$4.62 per box. During the next week, however, prices dropped sharply and for the week ended December 4, averaged only \$3 per box.

The Florida season got well under way by the middle of October, and shipments from Florida through December 4 have been about 4 percent greater than a year earlier. Because of the later season this year, total shipments of California Navels thus far have been less than last year. During recent weeks, however, shipments have been slightly heavier than for corresponding weeks of 1936.

On November 1 the indicated production of oranges from the 1937 bloom, for all varieties except California Valencias, was 41.3 million boxes, compared with 38.3 million boxes in 1936-37, 33.7 million boxes in 1935-36, and 37.9 million boxes in 1934-35.

Florida grapefruit prices have declined seasonally since the beginning of the season in September, but thus far have remained at a somewhat higher level than prices of last year. Texas grapefruit began the season in late October with prices about the same as a year earlier, but in recent weeks prices have averaged higher than for the corresponding weeks of last year.

Total shipments of grapefruit through December 4 this year have been only slightly less than a year earlier. In recent weeks lighter shipments than last year from Florida have been about offset by heavier shipments from Texas.

On November 1, the total grapefruit crop was indicated at 25-1/2 million boxes, the same as that indicated a month earlier. The prospective Florida crop is almost 5 million boxes less than last year's production, and the Texas crop is indicated to be about 1 million boxes less than that of 1936-37, but production in both of these States is indicated to be well above the average of recent years.